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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2001(29)

INFORMATIONAL PUBLICATION

**Connecticut Income Tax Treatment of Gambling Winnings
Other Than State Lottery Winnings**

Purpose: The purpose of this Informational Publication is to answer frequently-asked questions about the Connecticut income tax treatment of gambling winnings *other than* lottery winnings from State-conducted Lotteries ("State Lottery winnings"). (Frequently-asked questions about State lottery winnings are answered in **Informational Publication 2001(28)**, *Connecticut Income Tax Treatment of State Lottery Winnings*.)

Effective Date: This publication is effective for taxable years beginning on or after January 1, 2001.

Statutory Authority: Conn. Gen. Stat. §§12-700 to 12-746, as amended by 2001 Conn. Pub. Acts 6, §37 (June Spec. Sess.).

Definitions:

DRS means the Department of Revenue Services.

the IRS means the Internal Revenue Service.

Gambling winnings means and includes proceeds from a wager placed in a sweepstakes, wagering pool, or lottery (other than State-conducted lottery); or proceeds from a wagering transaction (including a wagering transaction in a parimutuel pool with respect to horse races, dog races, or jai alai.) Gambling winnings also include door prizes, contest prizes, and prizes from raffles or similar drawings. Gambling winnings do not include State Lottery winnings.

State-conducted lottery means a lottery conducted by an agency of a State acting under authority of State law, but only if the wager is placed with the State agency conducting such lottery, or with its

authorized employees or agents. State-conducted lottery includes the Connecticut Lottery conducted by the Connecticut Lottery Corporation, a public instrumentality of the State of Connecticut.

State Lottery winnings means lottery winnings from a wager placed in a State-conducted lottery, where the wager is placed with the State agency conducting the lottery, or with its authorized employees or agents. State Lottery winnings include Connecticut Lottery winnings.

1. Are gambling winnings subject to Connecticut income tax?

Whether gambling winnings are subject to Connecticut income tax depends on whether or not the winner is a Connecticut resident ("resident").

If the winner is a resident of Connecticut ("resident") and meets the **gross income test** (below), all gambling winnings are subject to Connecticut income tax, to the extent includable in the winner's federal adjusted gross income.

If the winner is a part-year resident of Connecticut ("part-year resident") and meets the **gross income test** (below), gambling winnings are subject to Connecticut income tax, to the extent includable in the winner's federal adjusted gross income and to the extent received during the residency portion of the winner's taxable year.

If the winner is a nonresident of Connecticut ("nonresident"), gambling winnings, whether from gambling in Connecticut or from gambling outside Connecticut, are *not* subject to Connecticut income tax.

(For information on whether an individual is a resident, nonresident, or part-year resident, see the

instructions to the Connecticut income tax return for residents (**Form CT-1040, Form CT-1040EZ, or Connecticut Telefile Tax Return**) or the Connecticut income tax return for nonresidents or part-year residents (**Form CT-1040NR/PY**).

Gross income test

A winner must file a Connecticut income tax return and report his or her gambling winnings if the winner's *gross income* exceeds:

- \$12,000 and the winner's filing status for Connecticut income tax purposes is Married Filing Separately;
- \$12,500* and the winner's filing status for Connecticut income tax purposes is Single;
- \$19,000 and the winner's filing status for Connecticut income tax purposes is Head of Household; **or**
- \$24,000 and the winner's filing status for Connecticut income tax purposes is Married Filing Jointly.

*This amount will be \$12,750 for the 2002 taxable year; \$13,000 for the 2003 taxable year, \$13,500 for the 2004 taxable year, \$14,000 for the 2005 taxable year, \$14,500 for the 2006 taxable year, and \$15,000 for the 2007 and subsequent taxable years.

A winner's *gross income* includes all income received in the form of money, goods, property, and services that is not exempt from federal income tax and any additions that are required to be reported on **Form CT-1040, Schedule 1**. Gross income includes, but is not limited to, compensation for services, including wages, fees, commissions, taxable fringe benefits, and similar items; gross income from a business; capital gains; interest and dividends; gross rental income; gambling winnings; alimony; taxable pensions and annuities; prizes and awards; income from partnerships, S corporations, estates, and trusts; individual retirement account distributions; unemployment compensation; and federally taxable Social Security benefits.

If a winner's gross income does not exceed the applicable gross income threshold, and Connecticut income tax has been withheld from his or her gambling winnings, the Connecticut income tax will not be refunded to the winner unless he or she files a Connecticut income tax return.

2. Are gambling losses deductible?

Gambling losses are *not* deductible for Connecticut income tax purposes even though, in certain circumstances, they are deductible for federal income tax purposes. (A winner must include gambling winnings in his or her federal gross income but may deduct gambling losses from his or her federal adjusted gross income (i) if he or she itemizes deductions for federal income tax purposes (on federal Form 1040, Schedule A), (ii) if the losses are properly documented, and (iii) to the extent the losses do not exceed his or her gambling winnings.)

3. May a resident or part-year resident claim a credit against his or her Connecticut income tax for income tax paid to another state on gambling winnings?

No. Neither a resident nor part-year resident is eligible to claim a credit against his or her Connecticut income tax for income tax paid to another state on gambling winnings.

4. Will Connecticut income tax be withheld from gambling winnings?

Connecticut income tax will be withheld from a payment of gambling winnings if all of the following conditions are met:

- The payer maintains an office or transacts business in Connecticut;
- The payment is subject to federal income tax withholding; **and**
- The payment is made to a resident or to someone receiving the payment on behalf of a resident.

For example, a dog track located within Connecticut must withhold Connecticut income tax from a payment of winnings only if the payment is subject to federal income tax withholding, and the payment is made to a resident or to someone receiving the payment on behalf of a resident. Also, if a payer of gambling winnings is a nonprofit organization maintaining an office or carrying on activities in Connecticut, the nonprofit organization must withhold Connecticut income tax from a payment of gambling winnings if it is required to withhold federal income tax from the payment, and the payment is made to a resident or to someone receiving the payment on behalf of a resident.

The fact that federal or Connecticut income tax may have been withheld from a winner's winnings does not excuse the winner from filing a federal income tax return or a Connecticut income tax return.

Connecticut income tax will not be withheld from gambling winnings if the payer does not maintain an office or transact business in Connecticut, if the payment is not subject to federal income tax withholding, or if the payment is not made to a resident or someone receiving the payment on behalf of a resident.

5. Is a winner required to provide his or her name, address, and Social Security Number to the payer?

Yes. A winner is required by federal law to complete federal Form W-2G, *Certain Gambling Winnings*, by providing his or her name, address, and Social Security Number, and by signing the declaration of the form, under penalties of perjury, that the information provided is correct.

6. How is a winner's residency status determined?

A payer of gambling winnings determines the residency status of a winner based upon the address furnished and the identification provided by the winner at the time federal Form W-2G is completed. The payer must additionally require two forms of identification from the winner, including, but not limited to, a Social Security card or a driver's license.

7. What if there is more than one winner?

If more than one person is entitled to a share of the winnings, *one* federal Form 5754, *Statement by Person(s) Receiving Gambling Winnings*, must be completed, identifying each of the persons entitled to a share. Federal Form 5754 is also used when the recipient is not a person entitled to a share. This form will list the name, address, and taxpayer identification number of all persons entitled to any payment of the winnings. The form must be signed, under penalties of perjury, by the person (or persons) receiving the winnings. The payer will use the information on federal Form 5754 to prepare federal Form W-2G for each of the winners. A copy of federal Form 5754 must be retained by the payer. A copy of federal Form 5754 need not be submitted to DRS, but must be made available

upon request. If the person receiving the winnings is unable to properly identify any of the persons entitled to a share of the winnings or their state of residence, the amount of the winnings applicable to such other person shall be considered as having been won by a resident of Connecticut and Connecticut income tax must be deducted and withheld from such winnings.

8. Will payments of gambling winnings be reported to DRS?

If a payer of gambling winnings maintains an office or transacts business in Connecticut, payments of gambling winnings are required to be reported to DRS if the payer is required to report the payment to the IRS, and the payment is made to a resident or to someone receiving the payment on behalf of a resident.

The fact that a payer may not have been required to report a payment of gambling winnings to the IRS does not excuse the winner from reporting those winnings for federal and Connecticut income tax purposes.

While payers of gambling winnings not maintaining an office or transacting business in Connecticut are not required to report payments to DRS, the IRS provides information about gambling winnings of Connecticut residents to DRS.

Effect on Other Documents: That portion of **Special Notice 91(18)**, *Income Tax Withholding on Certain Gambling Winnings* not previously modified and superseded by **Special Notice 92(9)**, *Income Tax Withholding on Certain Gambling Winnings* is modified and superseded and may not be relied upon on or after the date of issuance of this Informational Publication. That portion of **Special Notice 92(9)** pertaining to gambling winnings other than Connecticut lottery winnings is modified and superseded and may not be relied upon on or after the date of issuance of this Informational Publication.

Effect of This Document: An Informational Publication is a document issued by DRS that addresses frequently-asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: **www.drs.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu, or
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.

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